CEO

CITIZENS FOR ECONOMIC OPPORTUNITY
Corporate Responsibility Campaign

H.B. 5426 - An Act Concerning Reports on Business Tax Credit and Abatement Programs

My name is Karen Schuessler and I am the Director of Citizens for Economic Opportunity (CEO). CEO is a coalition of community and labor groups addressing health care reform and corporate responsibility.

I strongly support H.B. 5426 and support the Commissioner of Economic and Community Development in consultation with the Commissioner of Revenue Services doing a report on each tax credit or abatement program enacted for the purpose of recruitment or retention of businesses. I am pleased that the Business Tax Credit and Policy Review Committee has been reconvened and the Governor's Business Tax Policy Review Taskforce has been established to review the effectiveness of tax credits and expenditures in creating job growth. It is essential that these investments be closely monitored to ensure that they are efficient and create well-paying jobs.

As I am sure you know that in order to attract new businesses to Connecticut last year the Governor promoted his jobs initiative, the "First Five". This initiative provides state tax credits, low interest loans and work force training grants to encourage five businesses to commit to creating either 200 in-state jobs within two years or 200 jobs and a $25 million investment within five years. CIGNA, ESPN, and NBC Sports are the recipients of the program.

TicketNetwork was a recipient and could have received nearly $8 million until it withdrew from the program after its founder and president was arrested for misbehavior at a party. However, it was apparent before the company withdrew from the program that TicketNetwork was not the kind of business Connecticut should be investing in. In an October 30 investigative story by the Day there were serious questions raised about the ethical behavior of its business operations and state funds should never be allocated to a corporation with questionable business practices and deficient ethical standards.

The Day newspaper reported that CIGNA could receive up to $47 million and ESPN could receive $25 million. It was particularly dismaying when Hartford Business.com reported in December, 2011 that CIGNA plans to lay off an undisclosed number of employees starting in May when it shifts its accounting functions to India. In addition the Hartford Courant reported on March 5, 2012, that CIGNA's CEO had a 27 percent increase in pay last year. His compensation totaled $12.5 million, plus $8.4 million in stock and stock options.

However, this is not a surprise. According to an October, 2010 report by Thomas Cafcas and Greg LeRoy from Good Jobs First (a policy resource center in Washington, D. C. that promotes corporate responsibility and accountability), entitled "Connecticut Economic Development Subsidies: Costly and Blunt," Connecticut's major economic development expenditures are poorly monitored. The report revealed that tax credits can have high cost-per-job figures and can result in job losses. One subsidy cost taxpayers $169,667 per job created. Even more startling is that in 2005 a study by Connecticut's Finance, Revenue and Bonding Committee found that 14 out of 24 studied tax credit programs led to net job losses. In addition, the Department of Economic and Community Development does not disclose the wages and benefits paid by each company using the subsidies. The report also stated that the Department of Economic and Community Development 2010 annual report revealed that 31 business assistance contracts (out of 70) which underwent an audit did not meet their job creation goals.

Connecticut Voices for Children has studied tax credits and has reported that revenue lost to corporate tax credits went from $5 million in 1987 to more than $228 million projected for fiscal year 2011.

A 2010 study by the University of Massachusetts, Political Economy Research Institute, states that tax cuts and business subsidies do little to create jobs and as much as 96% of the jobs and most of the investments used to claim tax credits would have been created without the incentives. The study says that the most effective way to create jobs in the short and long term are investing in infrastructure (roads, bridges, ports, sanitation and energy production) and building the skills of the workforce.

It is apparent that there needs to be more transparency and accountability in the awarding of the tax credits and companies should be thoroughly vetted before receiving state aid so that the credits do not result in a revenue loss.

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